

Ministry of Revenue Robert F. Nixon Minister Retail Sales Tax Branch Information Bulletin

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Retail Sales Tax Act

CAZØN

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ONTARIO BUDGET 1985

This bulletin summarizes changes to the Retail Sales Tax Act proposed by the Treasurer of Ontario in the budget of October 24, 1985.

The changes have now become law and are effective from January 7, 1986.

The information presented in this bulletin is intended as notification to vendors and taxpayers. For more specific details of the changes please refer to the Retail Sales Tax Act and Regulations.

BUDGET HIGHLIGHTS

- PREPARED FOOD PRODUCTS—\$1.00 EXEMPTION THRESHOLD
- TAX-INCLUDED PRICING—AUTHORITY FOR USE AMENDED
- FEMININE HYGIENE PRODUCTS-EXEMPTION FOR SPECIFIC ITEMS
- CHILD RESTRAINT CAR SEATS—EXEMPTION
- TRANSIENT ACCOMMODATION—REFUNDS FOR VISITORS TO ONTARIO
- "MAPLE LEAF" GOLD COINS-EXEMPTION REMOVED



NON-BUDGET

• PRICE OF ADMISSION TO PLACE OF AMUSEMENT -- TAX COLLECTABLE AT THE TIME TICKET ISSUED

PREPARED FOOD PRODUCTS - \$1.00 EXEMPTION THRESHOLD

Retail sales tax does not apply to the purchase of prepared food products from an eating establishment where the total charge is \$1.00 or less. Where the total charge is in excess of \$1.00, tax at the rate of 7% applies to the full amount of the charge.

A vendor cannot average the total charge for a transaction among the number of persons in a group in order to avoid collecting tax. Tax applies to the full amount of the charge for a group transaction that totals more than \$1.00.

Prepared food products include meals, lunches, food products sold hot, and other arrangements of food sold by eating establishments for consumption on or off the premises. They also include non-alcoholic beverages such as tea, coffee, milk or juice, but not soft drinks. Soft drinks are taxable except when sold with prepared food products as part of one transaction for a total charge of \$1.00 or less. Where soft drinks are sold with prepared food products as part of one transaction for a total charge of more than \$1.00, tax applies to the full amount of the transaction.

An eating establishment is a place where prepared food products are provided, and includes:

- restaurants
- drive-in restaurants
- dining rooms
- cafeterias (including those in schools and universities)
- lunch counters
- · private or social clubs
- cocktail lounges
- trains, airplanes
- pizzerias
- coffee shops

- coffee wagons
- caterers
- vending machines
- lodging houses
- Royal Canadian Legion halls
- convention centres
- delicatessens
- snack bars at places such as fairs, exhibitions, sporting events, cinemas, theatres, grocery stores, taverns, bars
- similar places or establishments where prepared food products are provided

A number of "food" items are not prepared food products, but snack foods. All snack foods are taxable regardless of where sold unless the total charge is less than 21 cents. Examples are potato chips, corn chips, pretzels, popcorn, salted nuts and seeds, granola bars, puffs however flavoured, pre-packaged individual portions of ice cream, ice milk, sherbet, frozen yogurt and frozen custard. Hand scooped ice cream is a prepared food product and is tax-exempt if sold for \$1.00 or less.

Candies and confections remain taxable unless sold for less than 21 cents.

Snack cakes, cookies or pastries prepackaged by a manufacturer in individual portions for sale from other than the premises where they were manufactured are taxable. Where these individual portions are packaged by the manufacturer with other individual portions into a single package, they are tax exempt.

The following examples illustrate how tax applies to prepared food products with the \$1.00 exemption threshold.

Illustra 1.	tion 1 doughnut 1 coffee Total (exempt)	.40 <u>.45</u> <u>.85</u>	Explanation total charge for prepared food products less than \$1.01 - exempt
2.	1 muffin 1 soft drink Total (exempt)	.45 . <u>.55</u> \$1.00	total charge for prepared food product and soft drink is \$1.00 - exempt
3.	2 slices of toast 1 tea Tax on \$1.10	.65 <u>.45</u> \$1.10 <u>.08</u> <u>\$1.18</u>	total charge for prepared food products greater than \$1.00 - taxable
4.	1 packet of potato chips. 1 soft drink Tax on .95¢	.45 <u>.50</u> .95 <u>.07</u> <u>\$1.02</u>	potato chips, a snack food – taxable soft drink – taxable The \$1.00 exemption threshold does not apply.
5.	1 hot dog 1 packet of salted nuts Tax on 65¢	.95 . <u>.65</u> .\$1.60 . <u>.05</u> \$1.65	total charge for prepared food product less than \$1.01 - exempt salted nuts taxable as a snack food
6.	1 muffin 1 doughnut 1 soft drink Tax on \$1.50	.45 .40 . <u>.65</u> \$1.50 . <u>.11</u> <u>\$1.61</u>	total charge for prepared food products and soft drink greater than \$1.00 - taxable
7.	1 muffin 1 soft drink 1 packet of candy Tax on 40¢	.45 .55 <u>.40</u> \$1.40 <u>.03</u> <u>\$1.43</u>	total charge for prepared food product and soft drink is \$1.00 - exempt candy - taxable

TAX - INCLUDED PRICING - AUTHORITY FOR USE AMENDED

Vendors in the hospitality industry have been authorized to use tax-included pricing as an alternative to tax-extra pricing. Effective January 7, 1986, this authority is amended as outlined below.

Since not all purchases of prepared food products from eating establishments will be taxable, those who sell prepared food products for \$1.00 or less cannot use tax-included pricing.

Eating establishments that sell prepared food products where all sales are in excess of \$1.00 may continue to use tax-included pricing.

Vendors of liquor, beer and wine will continue to have the choice of using tax-included pricing or showing tax as a separate item on their bills. The method chosen must be used consistently. Where tax-included pricing is used, sales of prepared food products should be recorded and totalled separately from sales of alcoholic beverages. This facilitates the calculation of the tax collected by use of the following formulae

- total tax-included sales of prepared food products x 7/107
- total tax-included sales of alcoholic beverages x 10/110.

Vending Machine Operators

The sale of each item in a vending machine is considered a transaction. Because of this, vending machine operators may continue to use tax-included pricing provided that they display information to inform their customers that:

- the price of all prepared food products priced over \$1.00 includes tax at 7%
- the price of all other taxable items includes tax at 7%.

Vending machine operators must also segregate the recording and totalling of exempt sales from tax-included sales. The separate recording will facilitate the calculation required at the end of the reporting period.

FEMININE HYGIENE PRODUCTS - EXEMPTION FOR SPECIFIC ITEMS

Specific feminine hygiene products, namely sanitary pads, sanitary belts and tampons are exempt from retail sales tax; other hygiene products remain subject to the tax.



CHILD RESTRAINT CAR SEATS - EXEMPTION

The purchaser of a federally approved child restraint car seat is exempt from retail sales tax.

For the purchaser to qualify for the exemption these seats must meet the following standards:

- designed for children weighing less than 18 kilograms
- meet the requirements of standard 213 or 213.1 under the Motor Vehicle Safety Act (Canada)
- equipped with harnesses, straps and buckles designed to secure a child or infant in an automobile

Child restraint car seats that meet the above standards normally carry a certificate from the manufacturer indicating that they meet the federal standards of safety.

Booster seats and seats not meeting the above standards do not qualify for this exemption.

TRANSIENT ACCOMMODATION - REFUNDS FOR VISITORS TO ONTARIO

Visitors to Ontario who paid retail sales tax on transient accommodation have been able to obtain a refund of such tax under a temporary refund program. This program will continue indefinitely.

The tax on transient accommodation is 5% on the charge for accommodation in hotels, motels, hostels, tourist homes, lodging houses, apartments, boarding houses, clubs, hunting lodges, and similar places, for periods less than a month in duration.

The refund program also applies to payment of tax made under the American Plan and the Modified American Plan. Because the tax paid under these two types of accommodation plans includes the tax on prepared food products in addition to the tax on transient accommodation, only a portion of the tax payment is refundable. This is achieved by use of a formula, as follows:

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Refund Formula

Accommodation and 3 meals

3% of total charge for meals and accommodation (not including tax)

Accommodation and 2 meals

3.5% of total charge for meals and accommodation (not including tax)

Accommodation and 1 meal

4.5% of total charge for meal and

accommodation (not including tax)

The conditions under which this refund is made are unchanged. The refund claim form and details on the program are contained in the pamphlet "Ontario, Yours to Discover" published by the Ministry of Tourism and Recreation.

This pamphlet is available from retail sales tax offices and many retail stores and hotels.

"MAPLE LEAF" GOLD COINS - EXEMPTION REMOVED

Purchasers of "Maple Leaf" gold coins produced by the Royal Canadian Mint are no longer exempt from retail sales tax. Tax applies at the 7% rate.

NON-BUDGET ITEM

PRICE OF ADMISSION TO PLACE OF AMUSEMENT- TAX COLLECTABLE AT TIME TICKET ISSUED

The Retail Sales Tax Act and Regulations have been amended to clarify when tax is collectable on a price of admission to a place of amusement.

Retail sales tax on a price of admission is collectable at the time the ticket is issued. The tax collected must be remitted in the periodic return for the month in which the ticket was issued, that is, within 23 days following the end of the month the ticket was issued, not the end of the month in which the event takes place.

This change is of particular importance to vendors who sell tickets on a season or subscription basis.

LOCAL RETAIL SALES TAX OFFICES WHERE INFORMATION IS AVAILABLE:

OFFICE LOCATION BELLEVILLE 191 Dundas St.East K8N 1E2	PHONE 962-9108 Zenith 37100	AREA SERVED Counties: Haliburton, Hastings, Northumberland, Peterborough, Prince Edward
HAMILTON 119 King St.West P.O.Box 2112 L8N 3Z9	521-7504 Toll Free (519,416) Areas: 1-800-263-9229 Toll Free (416) Area: 1-800-263-9238	County: Brant Regional Municipalities: Haldimand - Norfolk Hamilton - Wentworth Niagara
KITCHENER 449 Belmont Ave. West N2M 1N2	576-8400 Toll Free (519) Area: 1-800-265-8700 Toll Free (705,416) Areas: 1-800-265-2303	Counties: Bruce, Dufferin, Grey, Huron, Perth, Wellington Regional Municipality: Waterloo
LONDON 310 Wellington Road South N6C 4P4	433-3901 Toll Free: 1-800-265-1540	Counties: Elgin, Lambton, Middlesex, Oxford
NORTH BAY 1500 Fisher Street Northgate Plaza P1B 2H3	474-4900 Toll Free (705) Area: 1-800-461-1564	Districts: Cochrane, Nipissing, Parry Sound, Timiskaming
ORILLIA 19 Front St. North P.O.Box 670 L3V 6K5	325-9587 Zenith 37100	County: Simcoe District Municipality: Muskoka Regional Municipality: York*
OSHAWA 33 King St.West P.O.Box 629 L1H 8K1	433-6240 Zenith 37100	County: Victoria Regional Municipality: Durham
OTTAWA 1355 Bank Street K1H 8K7	523-9760 Toll Free: 1-800-267-9745	Counties: Dundas, Frontenac, Glengarry, Grenville, Lanark, Leeds, Lennox, and Addington, Prescott, Renfrew, Russell, Stormont Regional Municipality: Ottawa - Carleton
PEEL 2 Robert Speck Parkway Suite 350 Mississauga L4Z 1H8	273-9490 Toll Free: 1-800-268-2968	Regional Municipalities: Halton, Peel
SUDBURY Ontario Government Bldg. 199 Larch Street P3E 5P9	675-4351 Toll Free: 1-800-461-1564	Districts: Algoma, Manitoulin, Sudbury Regional Municipality: Sudbury
THUNDER BAY Ontario Government Bldg. 435 James St. South P.O. Box 5000 P7C 5G6	475-1681 Toll Free: 1-800-465-5025	Districts: Kenora, Rainy River, Thunder Bay
TORONTO 2300 Yonge Street M4P 1H6	487-1361 Zenith 71800	Regional Municipalities: Metropolitan Toronto York*
WINDSOR Ontario Government Bldg. 250 Windsor Avenue N9A 6V9	252-4404 Toll Free: 1-800-265-1540	Counties: Essex, Kent

* Residents of York Regional Municipality are served by two offices: ORILLIA: Townships: Georgina, Georgina Islands I.R., Town: East Gwillimbury TORONTO: Towns: Aurora, Markham, Newmarket, Richmond Hill, Vaughan, Whitchurch - Stouffville

Township: King